

**DEPARTMENT OF TAXATION  
2024 Fiscal Impact Statement**

1. **Patron** Delores L. McQuinn

2. **Bill Number** HB 1483

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Local tax; Penalties and interest

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would require localities to apply voluntary payments made by taxpayers to the tax return that accompanies such payment. The bill would also restrict the accrual of interest beyond 90 days while a taxpayer's application for correction, administrative appeal, or application to the court for meals tax is pending. The bill would create notice requirements for a locality prior to making a levy on property due to delinquent tax payments. The bill would also provide that with respect to any local food or beverage tax, following the denial of a taxpayer's application for correction, the locality and taxpayer may agree to settle the liability pursuant to an offer in compromise.

Under current law, unless otherwise provided by local ordinance, any payment of local levies received by a locality is credited first against the most delinquent local account. Interest on local levies begins on the first day following the day on which such taxes are due.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

**6. Budget amendment necessary:** No.

**7. Fiscal Impact Estimates are:** Not available. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

This bill could have an unknown impact to local administrative costs but no impact to state costs.

Revenue Impact

This bill would have an unknown impact to local revenues. To the extent that interest would no longer accrue on liabilities involved in pending administrative actions lasting more than

90 days, this bill would have an unknown negative impact to local revenues. There would be no impact to state revenues.

**9. Specific agency or political subdivisions affected:**

All localities

**10. Technical amendment necessary:** No.

**11. Other comments:**

Crediting Local Tax Payments

Current law provides that treasurers must commence to receive local levies as soon as they receive copies of the commissioner's books and continue to receive the same without penalty up to and including December 5 of each year, or such other date set by the governing body. Unless otherwise provided by local ordinance, any payment of local levies received is to be credited first against the most delinquent local account, the collection of which is not subject to a defense of an applicable statute of limitations.

The Authority of Localities to Set Due Dates, Penalties, and Interest for Returns

Generally, current law allows the governing body of any county, city, or town to provide by ordinance the time for filing local license applications and annual returns of taxable tangible personal property, machinery and tools, and merchants' capital. The governing body may also by ordinance establish due dates for the payment of local taxes; may offer options for installment payments for certain taxes, may provide by ordinance penalties for failure to file such applications and returns and for nonpayment in time; may provide for payment of interest on delinquent taxes; and may provide for the recovery of reasonable attorney's or collection agency's fees actually contracted for, not to exceed 20 percent of the delinquent taxes and other charges so collected.

Current law also provides that interest for late local tax payments may commence not earlier than the first day following the day such taxes are due by ordinance to be filed, at a rate not to exceed 10 percent per year.

Proposal

This bill would require localities to apply voluntary payments made by taxpayers to the tax return that accompanies such payment. The bill would also restrict the accrual of interest beyond 90 days while a taxpayer's application for correction, administrative appeal, or application to the court for meals tax is pending. The bill would create notice requirements for a locality prior to making a levy on property due to delinquent tax payments.

The bill also provides that no levy may be made on any property or right to property of any person unless the treasurer, or other official responsible for the collection of any local tax imposed, has notified the taxpayer in writing at such person's last known address before such levy is made. The notice shall be required only once for each taxable period and shall include, in simple and nontechnical terms, (1) the amount of unpaid tax; (2) the proposed

action by the locality; (3) the rights of the person to contest such action; and (4) the alternatives available to taxpayers that could prevent levy on property, such as entering into a payment plan and filing an offer in compromise.

The bill would also provide that with respect to any local food or beverage tax, following the denial of a taxpayer's application for correction, the locality and taxpayer may agree to settle the liability pursuant to an offer in compromise.

The bill further provides that courts may award reasonable attorney fees to the prevailing party of an action commenced to correct erroneous assessments of local levies.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

### Similar Legislation

**Senate Bill 294** would require localities to apply voluntary payments made by taxpayers to the tax return that accompanies such payment. The bill would also restrict the accrual of interest beyond 90 days while a taxpayer's application for correction, administrative appeal, or application to the court for meals tax is pending. The bill would create notice requirements for a locality prior to making a levy on property due to delinquent tax payments.

cc : Secretary of Finance

Date: 2/2/2024 VB  
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